

Message Text

CONFIDENTIAL

PAGE 01 CAIRO 14517 01 OF 02 080322Z
ACTION NEA-11

INFO OCT-01 ISO-00 SOE-02 AID-05 CEA-01 CIAE-00
COME-00 DODE-00 EB-08 DOE-15 H-01 INR-10 INT-05
L-03 NSAE-00 NSC-05 OMB-01 PM-05 ICA-11 OES-07
SP-02 SS-15 STR-07 TRSE-00 ACDA-12 /127 W
-----107467 080348Z /14

R 080313Z JUN 78
FM AMEMBASSY CAIRO
TO SECSTATE WASHDC 0044
INFO AMCONSUL ALEXANDRIA

C O N F I D E N T I A L SECTION 01 OF 02 CAIRO 14517

E.O. 11652: GDS
TAGS: ENRG, EVIN, EG
SUBJ: BRIEF SURVEY OF EGYPTIAN PETROLEUM PRODUCTION AND
PROSPECTS AT MID YEAR

1. MINISTRY OF PETROLEUM AND OTHER GOE AGENCIES HAVE BEEN MORE FORTHCOMING RECENTLY THAN IN PAST WITH STATISTICS ON PETROLEUM PRODUCTION AND PROSPECTS. THIS IS DUE, WE BELIEVE, PRIMARILY TO RECENT EXPLORATION SUCCESSES IN THE GULF OF SUEZ WHICH GIVE RISE TO OPTIMISTIC EXPECTATIONS THAT PETROLEUM SECTOR WILL MAKE MAJOR CONTRIBUTION TO GOE BOP POSITION IN COMING YEARS. ON BASIS THESE FIGURES, EMBASSY PROVIDES FOLLOWING BRIEF REVIEW AND UPDATE OF PETROLEUM PROSPECTS IN ANTICIPATION OF MORE COMPREHENSIVE PETROLEUM INDUSTRY OUTLOOK REPORT NOW IN PREPARATION.

2. RECENT HISTORY. PETROLEUM PRODUCTION IN EGYPT HAS BEEN ERRATIC OVER PAST DECADE. (SEE TABLE PARA 3 BELOW.) ISRAELI OCCUPATION OF SINAI IN 1967 DEPRIVED EGYPT OF SEVENTY-FIVE PER CENT OF ITS PRODUCTION, BUT LEVEL WAS QUICKLY RESTORED BY DEVELOPMENT OF AMOCO'S MORGAN FIELD. LOSS OF PRESSURE IN MORGAN FIELD IN EARLY 70'S LED TO RAPIDLY DECLINING PRODUCTION. DEVELOPMENT OF JULY AND
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 CAIRO 14517 01 OF 02 080322Z

RAMADAN FIELDS, DISCOVERED IN 1972 AND 1974, RESPECTIVELY, GRADUALLY MADE UP FOR SHORTFALL. RETURN OF SINAI OIL FIELDS IN NOVEMBER 1975 PROVIDED FURTHER BOOST. NEVERTHELESS, 1976 WAS FIRST YEAR IN WHICH PRODUCTION WAS HIGH ENOUGH FOR PETROLEUM SECTOR TO SHOW NET EXPORTS. PRODUCTION HAS BEEN RISING STEADILY SINCE AS DEVELOPMENT OF JULY, RAMADAN AND NEW DISCOVERIES PROCEED. CRUDE OIL

PRODUCTION TOTAL IN 1977 WAS, ACCORDING MINPET, 20,846,000 TONS (DAILY AVERAGE OF APPROXIMATELY 411,000 BPD). NATURAL GAS EQUIVALENT PRODUCTION WAS 353,000 TONS FOR 1977.

3. TABLE: EGYPT - CRUDE OIL PRODUCTION (IN METRIC TONS)

YEAR	AMOUNT	YEAR	AMOUNT
1966	6,883,826	1972	19,729,000
1967	6,287,532	1973	8,479,000
1968	9,890,000	1974	8,539,000
1969	14,245,000	1975	13,410,000
1970	18,945,000	1976	16,700,000
1971	17,010,000	1977	20,900,000

SOURCE: FEDERATION OF EGYPTIAN INDUSTRIES HANDBOOK.

4. PROSPECTS THIS YEAR. 1978 SHOULD SEE MODEST BUT STEADY INCREASE IN EGYPT'S DAILY PETROLEUM OUTPUT. OUR BPD ESTIMATES, BASED ON INDUSTRY SOURCES, ARE THAT PRODUCTION WILL RISE FROM JANUARY AVERAGE OF 468,000 TO JUST OVER 500,000 BY DECEMBER. THIS WOULD MEAN 1978 AVERAGE DAILY PRODUCTION OF CLOSE TO 488,000 BARRELS. FOLLOWING IS BREAKDOWN OF PROJECTED BEGINNING AND ENDING 1978 PRODUCTION BY AREA:

CONFIDENTIAL

CONFIDENTIAL

PAGE 03 CAIRO 14517 01 OF 02 080322Z

JAN	DEC
-----	-----

(A) GULF OF SUEZ (SEE 360,000 BPD 390,000 BPD FOOTNOTE)

(B) RAS GHARIB 20,000 BPD 20,000 BPD

(C) ABU RUDEIS 70,000 BPD 75,000 BPD

(D) WESTERN DESERT 20,000 BPD 20,000 BPD

(FOOTNOTE: EXPECTED AVERAGES FOR INDIVIDUAL FIELDS IN GULF OF SUEZ ARE: JULY 15,000 BPD; RAMADAN 120,000 BPD; MORGAN 80,000 BPD; PLUS MISCELLANEOUS PRODUCTION FROM BLOCKS 300 AND 382 OF 8,000 TO 12,000 BPD.)

5. FUTURE PROSPECTS. OUR MAJOR OIL COMPANY CONTACTS ARE STILL GUARDED ABOUT PROSPECTS FOR 1980. AMOCO'S FORECAST, BASED ON FURTHER DEVELOPMENT OF EXISTING FIELDS BUT ALLOWING FOR NORMAL PRESSURE DECREASES OF ABOUT 10 PER CENT PER YEAR, IS THAT TOTAL 1980 EGYPTIAN PRODUCTION CANNOT RISE ABOVE 650,000 BPD. THIS ESTIMATE DOES NOT INCLUDE DEVELOPMENT OF DISCOVERIES IN BLOCK 195 OR NORTH BELAYIM. THESE DISCOVERIES WOULD BE DIFFICULT, BUT NOT IMPOSSIBLE, TO

BRING A STREAM BY 1980, ASSUMING IDEAL CONDITIONS. CONTINUED LACK OF PROGRESS ON PEACE FRONT AND OF DEFINITION OF STATUS OF GULF OF SUEZ AREA ARE, HOWEVER, INHIBITING FACTORS IN DEVELOPMENT PLANS. ACCORDING OUR "BEST CASE" PROJECTIONS, INCLUDING CONCLUSION OR ANTICIPATION SOON OF PEACE AGREEMENT WITH RETURN OF GULF OF SUEZ TO EGYPTIAN CONTROL, IT MIGHT BE POSSIBLE FOR EGYPT TO MOVE 750,000 BPD BY 1980, WHICH IS CLOSE TO MINPET'S CURRENT TARGET. WE ASSUME MORE CONSERVATIVE INDUSTRY FIGURE IS DELIBERATELY LOW DUE TO UNCERTAINTY IN THE GULF AREA.

CONFIDENTIAL

NNN

CONFIDENTIAL

PAGE 01 CAIRO 14517 02 OF 02 080326Z

ACTION NEA-11

INFO OCT-01 ISO-00 SOE-02 AID-05 CEA-01 CIAE-00
COME-00 DODE-00 EB-08 DOE-15 H-01 INR-10 INT-05
L-03 NSAE-00 NSC-05 OMB-01 PM-05 ICA-11 OES-07
SP-02 SS-15 STR-07 TRSE-00 ACDA-12 /127 W
-----107495 080348Z /14

R 080313Z JUN 78

FM AMEMBASSY CAIRO

TO SECSTATE WASHDC 0045

INFO AMCONSUL ALEXANDRIA

C O N F I D E N T I A L SECTION 02 OF 02 CAIRO 14517

6. IMPLICATIONS FOR REVENUE. RISE IN PETROLEUM PRODUCTION OBVIOUSLY MEANS RISE IN EXPORT EARNINGS FOR PETROLEUM SECTOR. USING ROUGH AVERAGE FIGURE THAT EGYPT NETS 70 PER CENT OF TOTAL OIL PRODUCTION AND TAKING DAILY AVERAGE OF 488,000 BPD FOR 1978, THEN SUBTRACTING 200,000 BARRELS PER DAY INTERNAL REQUIREMENT, DAILY CRUDE EXPORT FIGURE WOULD BE JUST OVER 140,000 PBD. THIS WOULD MEAN EARNINGS OF \$649 MILLION FOR 1978 AT CURRENT \$ 12.56 PER BARREL PRICE, COMPARED WITH \$402 MILLION IN 1977, USING SAME CALCULATIONS. OUR OWN ESTIMATE IS THAT 1978 EXPORTS AND IMPORTS OF CRUDE PRODUCTS IN THE SECTOR WILL BE ROUGHLY EQUAL. (WE NOTE THAT THIS IS AT VARIANCE WITH RECENT IBRD FIGURES WHICH PROJECT SUBSTANTIALLY LARGER NET PRODUCT EXPORTS; WE BELIEVE IBRD PROJECTION ON PRODUCT EXPORTS TO BE OVERSTATED.)

7. WHILE PETROLEUM SECTOR EVIDENTLY WILL FALL FAR SHORT OF GOE'S MUCH-HOPED-FOR MILLION BARRELS PER DAY BY 1980, PROGRESS TO DATE INDICATES POSSIBILITY THAT SECTOR WILL

CONTRIBUTE SIGNIFICANTLY DURING COMING YEARS. EVEN AT
POSSIBLY LOW 650,000 BARREL PER DAY LEVEL, AND ASSUMING A
10 PER CENT INCREASE IN PRICE, BY 1980 OIL SECTOR COULD
PROVIDE ONE BILLION DOLLARS IN FOREIGN EXCHANGE. INDEED
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 CAIRO 14517 02 OF 02 080326Z

THIS THE FIGURE WHICH MINISTER HILAL HAS NOW EMBRACED
PUBLICLY. HILAL ALSO IS NOW SAYING THAT 1982 IS MAGIC
YEAR OF ONE MILLION BARREL PER DAY PRODUCTION, PROBABLY
NOT AN UNREALISTIC GOAL IF POLITICAL CONDITIONS ARE RIGHT.
EILTS

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM PRODUCTION, REPORTS, SURVEYS
Control Number: n/a
Copy: SINGLE
Draft Date: 08 jun 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978CAIRO14517
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780238-1129
Format: TEL
From: CAIRO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780683/aaaactbf.tel
Line Count: 185
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 4538408f-c288-dd11-92da-001cc4696bcc
Office: ACTION NEA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 13 jun 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2443249
Secure: OPEN
Status: NATIVE
Subject: BRIEF SURVEY OF EGYPTIAN PETROLEUM PRODUCTION AND PROSPECTS AT MID YEAR
TAGS: ENRG, EINV, EG
To: STATE
Type: TE
vdkgvwkey: odhc://SAS/SAS.dbo.SAS_Docs/4538408f-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014